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Annual Report 1975

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ROMAN CORPORATION LIMITED

ANNUAL REPORT TO SHAREHOLDERS

OFFICERS

Stephen B. Roman, LL.D.
Chairman of the Board

Vincent L. Chapin
President

John S. Grant, Q.C.
Vice-President

John C. Puhky
Secretary & Treasurer



DIRECTORS

Vincent L. Chapin

Joseph A. Patrick

John H. Coleman

W. E. Riddolls

John S. Grant

Helen Roman-Barber

George B. Heenan

Stephen B. Roman

John Kostuik

Russell A. Rule

Charles D. Parmelee

HEAD OFFICE

4 King Street West
Toronto, Ontario
M5H 1C2

AUDITORS

Coopers & Lybrand
Toronto, Ontario

BANKERS

The Royal Bank of Canada
Toronto, Ontario

REGISTRAR & TRANSFER AGENT

Guaranty Trust Company of Canada
Toronto, Ontario

DIVISION OFFICE AND MILL

Strathcona Paper Company
Box 130
Napanea, Ontario

President

— W. E. Riddolls

Vice-Presidents:

— Operations

— Lloyd G. Finlay

— Engineering

— Warren W. Finlay

— Sales & Administration

— William J. Finlay

— Production

— Hugh C. Finlay

Comptroller

— Jim Loudon



REPORT TO SHAREHOLDERS:



The year 1975 was successful in terms of record earnings, improved financial strength and planning for future growth and expansion.

Financial — Net earnings for the year were \$7,728,275 or \$2.96 per share compared to \$2,184,734 or \$.84 per share in 1974. The major contributing factor to this substantial improvement was again the record earnings reported by Denison Mines Limited. Of major significance to your Company's continuing financial strength was the decision by Denison Mines Limited early in the year to increase the quarterly dividend. Commencing with the second quarter of 1975, Denison increased its quarterly dividend from 35¢ to 50¢ per share. Based on your Company's year end holdings of these shares, dividend receipts will increase by some \$735,000 to reach an annual aggregate

amount of \$2,451,000. Augmenting this sum will be steady contributions from the Strathcona Paper Division.

Uranium — Denison Mines Limited It is gratifying that after years of struggle the uranium industry has come into its own and now enjoys strong demand both nationally and internationally. As a consequence well managed firms involved in the production and marketing of this commodity can look forward to a period of reasonable stability. Special advantages related to financial stability therefore accrue to your Company from its 27.5% interest in Denison Mines Limited, one of the world's major producers of uranium. Denison Mines now holds long term export contracts with Spain and Japan for 81.5 million lbs. of U_3O_8 for delivery through 1994. Some \$41 million was received by Denison in 1975 in the form of advance payments under these contracts. In addition contractual arrangements are now being negotiated in the context of federal government policies, to ensure adequate and certain long term supplies of U_3O_8 for the domestic market. Programmes for mine and mill expansion are in progress to ensure that future aggregate demand will be met. Most important, Denison has successfully re-negotiated uranium prices under a number of earlier contracts to offset rising cost of production, inflation and costs related to environmental measures.

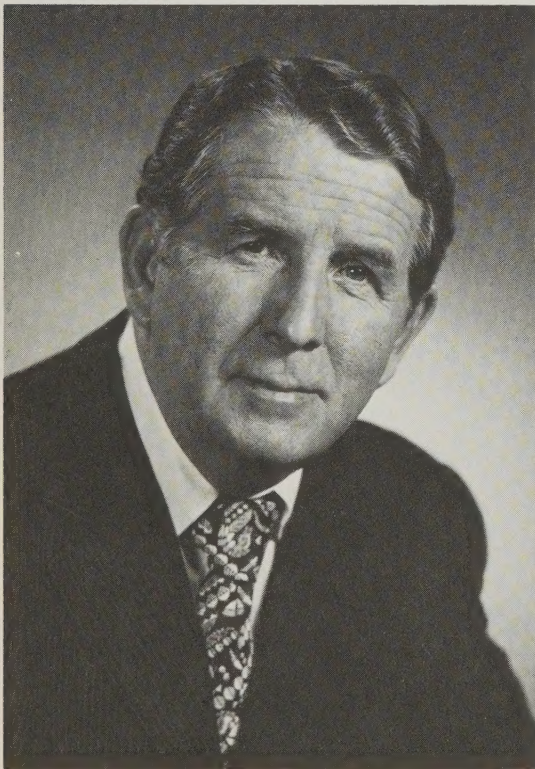
Operations — Strathcona Paper Company

Strathcona Paper Company had an excellent year in 1975, its first as a division of your Company. Business activity was not at a high level during the year reflecting the general decline in the economy. The boxboard industry operated at about 75% of the 1974 level and was plagued by strikes beginning in July. In your division's sector of the industry, about 50% of the capacity was shut down during the latter

part of the year, however, Strathcona was free of serious labour problems and operated at full capacity during the last four months of 1975. Raw materials were in free supply.

Presently, demand for your division's products continues to be strong. However, strikes are in the process of being settled in the industry and the return of this capacity to production will undoubtedly cause a decrease in demand for your division's products and reduce the availability of raw materials. With a pick-up in a general economic activity your paper division should have a good year in 1976 but at a somewhat lower level than in 1975.

In May 1975, Mr. Earl Riddolls assumed the responsibilities of president of the division and was elected a director of the Company. Mr. Riddolls was formerly General Manager, Paper Board Division, Kruger Pulp & Paper.



Vincent L. Chapin
President

Outlook As announced in the 1974 annual report and demonstrated by your Company's purchase in that year of Strathcona Paper Company, growth and diversification continue as major objectives. To this end your Company was involved in the last half of the year with development and implementation of new long term investment policies. Within this framework a number of major investment opportunities appear to meet the commercial and financial viability test set by your management. Investigations are continuing on investment opportunities in Canada and abroad which will be reported upon in the event of positive developments.

On Behalf of the Board of Directors

A large, stylized handwritten signature in black ink, featuring a prominent loop at the top and a long, sweeping underline.

STEPHEN B. ROMAN
Chairman of the Board

A handwritten signature in black ink, appearing to read "V. Chapin" with a stylized flourish at the end.

VINCENT L. CHAPIN
President

Toronto, Ontario
May 17, 1976



ASSETS

	1975 \$	1974 \$
CURRENT ASSETS		
Cash.....	324,482	54,789
Marketable securities	154,832	164,360
Accounts receivable	1,194,228	588,495
Inventories.....	629,302	683,971
Prepaid expenses	28,032	20,937
	<u>2,330,876</u>	<u>1,512,552</u>
SHARES IN OTHER COMPANIES HELD FOR INVESTMENT (note 2)	<u>31,918,668</u>	<u>27,613,943</u>
FIXED ASSETS		
Land — at cost	94,916	90,000
Plant, buildings and equipment — at cost, less accumulated depreciation of \$767,471 (1974 — \$471,837)	4,484,907	4,741,504
	<u>4,579,823</u>	<u>4,831,504</u>
OTHER ASSETS	167,539	141,059
	<u>38,996,906</u>	<u>34,099,058</u>

AUDITORS' REPORT

We have examined the balance sheet of Roman Corporation Limited as at December 31, 1975, and the statement of financial position for the year then ended. Our examination included a general review of the accounts and procedures considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of Roman Corporation Limited as at December 31, 1975, and the financial position for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Ontario
February 13, 1976



LIABILITIES

	1975 \$	1974 \$
CURRENT LIABILITIES		
Bank demand loans (note 3)	10,658,500	12,716,445
Accounts payable and accrued liabilities	1,065,385	664,884
Income taxes payable	—	1,172,983
	<u>11,723,885</u>	<u>14,554,312</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized —		
5,000,000 shares without par value		
Issued —		
2,613,000 shares	3,806,777	3,806,777
CONTRIBUTED SURPLUS	280,598	280,598
RETAINED EARNINGS	23,185,646	15,457,371
	<u>27,273,021</u>	<u>19,544,746</u>
	<u>38,996,906</u>	<u>34,099,058</u>

SIGNED ON BEHALF OF THE BOARD

JOSEPH A. PATRICK, Director

RUSSELL A. RULE, Director

THE SHAREHOLDERS

31, 1975 and the statements of earnings and retained earnings and changes in financial
g procedures and such tests of accounting records and other supporting evidence as we

mpany as at December 31, 1975 and the results of its operations and the changes in its
principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants



STATEMENT OF EARNINGS AND RETAINED EARNINGS For the Year Ended December 31, 1975

	1975 \$	1974 Note 1(a)(iv) \$
STRATHCONA DIVISION		
Sales.....	10,718,635	964,895
Cost of sales	6,998,049	814,052
Gross profit.....	3,720,586	150,843
INVESTMENT INCOME		
Share of income determined by the equity method	6,562,691	3,192,111
Other interest and dividends	35,899	36,967
Loss from security transactions	(17,027)	(8,658)
	6,581,563	3,220,420
SERVICES AND RENTAL INCOME	222,539	222,539
	10,524,688	3,593,802
Selling, general and administrative expenses	1,302,940	362,571
Interest.....	1,180,643	955,540
Depreciation.....	312,830	44,839
	2,796,413	1,362,950
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	7,728,275	2,230,852
PROVISION FOR INCOME TAXES	585,000	46,118
EARNINGS BEFORE EXTRAORDINARY ITEM	7,143,275	2,184,734
EXTRAORDINARY ITEM		
Recovery of income taxes resulting from the loss carry forward of prior years	585,000	—
NET EARNINGS FOR THE YEAR	7,728,275	2,184,734
RETAINED EARNINGS — BEGINNING OF YEAR	15,457,371	13,272,637
RETAINED EARNINGS — END OF YEAR	23,185,646	15,457,371
EARNINGS PER SHARE FOR THE YEAR BEFORE EXTRAORDINARY ITEM	\$2.73	\$0.84
EARNINGS PER SHARE FOR THE YEAR	\$2.96	\$0.84



STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1975

SOURCE OF WORKING CAPITAL

	1975 \$	1974 \$
Current operations —		
Net earnings for the year	7,728,275	2,184,734
Items not affecting working capital in the year —		
Depreciation	312,830	44,839
Share of income determined by the equity method, less dividends received	(4,295,425)	(1,495,347)
	3,745,680	734,226
Other assets	(26,480)	19,967
	3,719,200	754,193

USE OF WORKING CAPITAL

Investment in net assets of Strathcona Paper Company Limited	—	7,355,067
Less: Working capital contributed	—	2,551,674
	—	4,803,393
Purchase of shares for investment	9,300	1,760,325
Additions to fixed assets	61,149	24,608
	70,449	6,588,326

DECREASE (INCREASE) IN WORKING CAPITAL	(3,648,751)	5,834,133
WORKING CAPITAL DEFICIENCY — BEGINNING OF YEAR	13,041,760	7,207,627
WORKING CAPITAL DEFICIENCY — END OF YEAR	9,393,009	13,041,760



NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 1975

1. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of preparation

- (i) The company follows the equity method of accounting for its investment in Denison Mines Limited and three other companies, two of which are mining companies. Under this method the company includes in its reported earnings its share of net earnings of these companies for the year.
- (ii) Exploration expenditures made in the year are written off to expense.
- (iii) The excess cost of the company's investment over its equity in the net assets of the four companies referred to above at the dates of acquisition is considered to be applicable to the mining properties of these companies and is being amortized over twenty-five years, primarily on the basis of production. This charge has been deducted in calculating the share of income determined by the equity method.
- (iv) The company acquired all the shares of Strathcona Paper Company Limited on November 22, 1974. The acquisition was accounted for as a purchase transaction and therefore the results of its operations from that date only have been included in these financial statements. On December 13, 1974 Strathcona Paper Company Limited was wound up and all of its net assets were transferred to the company, which now operates the facility as the "Strathcona Paper Company" division of Roman Corporation Limited.

(b) Marketable securities

Marketable securities are carried at their quoted market value but not in excess of cost.

(c) Inventories

Finished goods are valued at the lower of cost and net realizable value less normal profit margin. Raw materials and supplies are valued at the lower of cost and replacement cost.

(d) Fixed assets

Fixed assets are carried at cost.

Depreciation charges are calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

Buildings and structures	4%
Plant, machinery and equipment	7%-10%
Vehicles	20%

2. SHARES IN OTHER COMPANIES HELD FOR INVESTMENT

This item comprises:	1975 \$	1974 \$
Shares in companies accounted for by the equity method (quoted market value \$69,938,000; 1974 — \$43,858,000)	31,570,167	27,265,442
Shares in other companies, at or below cost (quoted market value of listed securities \$302,400; 1974 — \$276,600)	348,501	348,501
	<u>31,918,668</u>	<u>27,613,943</u>

The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

3. BANK DEMAND LOANS

The bank demand loans are secured by substantially all the shares in other companies held for investment and by the marketable securities.

4. INCOME TAXES

The company anticipates that losses available for tax purposes in the following approximate amounts will be applied to reduce income taxes which would otherwise be payable in future years until:

	\$
June 30, 1979	260,000
June 30, 1980	140,000

5. STATUTORY INFORMATION

Directors and senior officers, as defined in The Business Corporations Act of Ontario, received direct remuneration in 1975 of \$447,546, (1974 — \$36,850). The increase in 1975 reflects the substantial expansion in the company's operations including those of the recently acquired Strathcona Paper division.

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INTERIM

REPORT

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**ROMAN CORPORATION
LIMITED**

SIX MONTHS ENDED JUNE 30, 1975

ROMAN CORPORATION LIMITED

4 King Street West, Toronto, Ontario

To our Shareholders:

We are particularly pleased to report that your Company's net earnings for the six months ended June 30, 1975 were \$3,087,000 or \$1.18 per share. For the six months ended June 30, 1974, earnings were \$1,153,000 or \$0.44 per share.

This substantial improvement of the earnings was in part attributable to our 26.8% equity interest in Denison Mines Limited which achieved record half year earnings of \$2.35 per share as compared to \$1.41 per share for the same period in 1974. The Canadian government approved Denison's contracts for delivery of uranium to Spain and Japan and the company received \$41 million in advance payments. Commencing with the quarterly dividend paid June 13, 1975, Denison has increased its annual dividend rate from \$1.40 to \$2.00 per share.

Of particular interest and importance is the fact that one third of our earnings were derived from our new operating division, Strathcona Paper Company. Through strong marketing efforts our division operated at 75% of its capacity which is better than expected considering the general economic conditions. The supply of recycled fibres was plentiful during the period making it possible to purchase high quality material at good prices. At the same time selling prices have remained firm and as a result our Paper Division was able to achieve 90% of its budgeted profit notwithstanding some reduction in the volume of business.

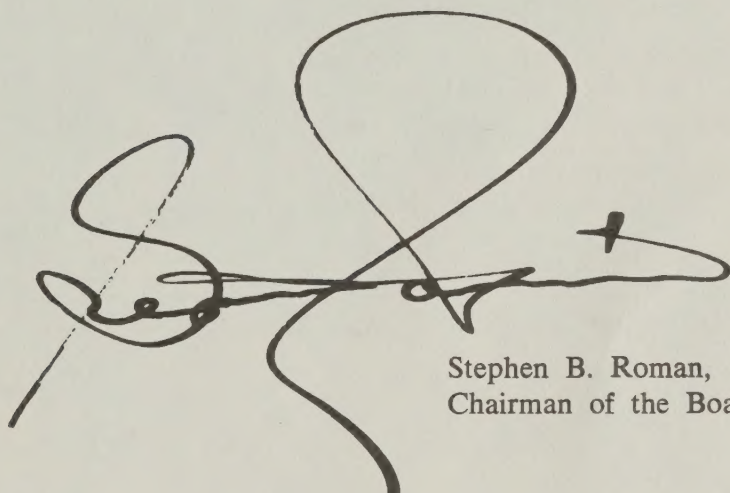
The combined effect of the increased dividend rate from Denison and the solid performance of our Paper Division will result in a steady improvement of our working capital position in subsequent periods.

At the annual meeting of the shareholders held on May 30, Vincent L. Chapin was elected a director of the Company and effective June 1, 1975 was elected President of the Company. Mr. Chapin

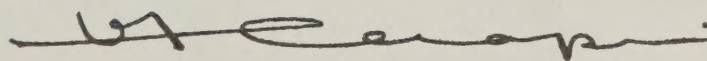
brings to your Company broad experience in finance and international business and was formerly Vice-President of the federal Export Development Corporation. At the same time, Mr. Earl Riddolls who for many years was General Manager, Paper Board Division, Kruger Pulp & Paper Limited, was elected a director and appointed President of the Paper Division.

We are grateful to our shareholders for their continued support and encouragement.

On behalf of the Board of Directors

A large, stylized handwritten signature in black ink, featuring a prominent loop at the top and a horizontal line across the middle.

Stephen B. Roman,
Chairman of the Board

A handwritten signature in black ink, appearing as a series of connected loops and strokes.

Vincent L. Chapin,
President

Toronto, Ontario,
August 8, 1975.

ROMAN CORPORATION LIMITED

INTERIM REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 1975

SUMMARY OF EARNINGS	1975 \$	1974 \$
Gross income:		
Sales — Strathcona Paper Company Division (Note 1)	4,597,000	—
Investment and other income	2,886,000	1,706,000
	<u>7,483,000</u>	<u>1,706,000</u>
Earnings before income taxes and extraordinary item	3,087,000	1,153,000
Income taxes	140,000	—
Earnings before extraordinary item	2,947,000	1,153,000
Recovery of income taxes resulting from the carry-forward of tax losses from prior year	140,000	—
Net earnings for the period	<u>3,087,000</u>	<u>1,153,000</u>
Per share information:		
Earnings before extraordinary item	1.13	0.44
Net earnings for the period	1.18	0.44

STATEMENT OF CHANGES IN FINANCIAL POSITION

Source of Working Capital

Current operations		
Net earnings for the period	3,087,000	1,153,000
Items not affecting working capital in the period —		
Depreciation	145,000	6,000
Share of income determined by the equity method, less dividends received	(1,722,000)	(715,000)
	<u>1,510,000</u>	<u>444,000</u>

Use of Working Capital

Purchase of shares for investment	9,000	1,139,000
Additions to other assets	42,000	6,000
	<u>51,000</u>	<u>1,145,000</u>

INCREASE (DECREASE) in WORKING CAPITAL	<u>1,459,000</u>	<u>(701,000)</u>
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Note 1: The Company acquired all the shares of Strathcona Paper Company on November 22, 1974. The results of its operations from that date have been included in the applicable periods. The Strathcona facilities are now operated as a division of Roman Corporation Limited.